



U.S. Department of Transportation

Saint Lawrence Seaway Development Corporation

DOCKET SECTION

13320-QA

Memorandum

Subject: Great Lakes Pilotage Rates NPRM

Date: November 8, 1996

From: Gail McDonald *GM*
Administrator, SLSDC

Reply to
Attn of:

To: File

AN4-96-1781-15

This memo is filed as part of the docket of the September 25, 1996, Notice of Proposed Rulemaking (NPRM) (61 FR 50258) concerning Great Lakes pilotage rates. This memo contains comments regarding the ratemaking NPRM that were submitted to me by Captain Lawrence Hickey, Vice President of the Saint Lawrence Seaway Pilots Association in a letter dated October 8, 1996. Captain Hickey's comments are as follows:

For some time, I have requested from your staff, the procedures that they envision to implement the rate structure, or the rate methodology at the end of each navigation season.

I know these procedures exist, but I am constantly amazed at their refusal to discuss them. I can only assume that they also recognize that the rate methodology is flawed and their failure to discuss it is a political decision.

Therefore, let me present to you the procedures I believe should be followed by this Association.

Let us speak of the bridge hour standard of 1,000 hours on the River and 1,800 hours on the Lake. To determine this number, we will add together bridge time, travel time and the administrative hours that are put into this office to run both the Association and its related entity. These "adjusted bridge hours" will be used to determine the number of pilots necessary to handle the projected traffic for the upcoming year.

Since our move from the offices in Massena to Cape Vincent, we have practiced the following accounting procedures: All the bills of the Association and of the Corporation are paid immediately upon receipt. At the end of each 10 day pay period, available funds, less a minimum balance, are distributed to the pilots.

This procedure is repeated every 10 days during and after the navigation season, until all funds, less an amount sufficient to cover winter operations, are distributed. These procedures are performed and monitored by our Controller, a licensed CPA and experienced businessman.

Inasmuch as certain acquisitions are occasionally allowed for in the rate methodology, we propose the following: At the end of the navigation season, amounts remaining after allowed expenses, and target pilot compensation, will be set aside for the acquisition of the assets designated in the rate methodology. It should be noted that when these funds are transferred to those entities whose function it is to carry the association's assets, they are considered income and are subject to both Federal and State income tax. What remains after taxes, and administrative charges, will be placed in escrow.

It is the policy of this Association and its related entities not to carry any debt of any kind. Further, it was not the intent of Congress to force private citizens into debt to subsidize the St. Lawrence Seaway Development Corporation, the Midwest economy of the United States, or foreign nations. Therefore, only when sufficient funds have been escrowed, will the purchase be made.

The questions arises, what procedures will be followed in the event of a significant difference between anticipated and realized bridge hours? What is to be done with the resulting shortage or surplus in pilot compensation? Discussions with your staff indicate that in the event of a shortage, funds may be transferred from capital acquisition funds to make up the shortage. It is assumed that any surplus generated would revert to pilot compensation after capital acquisition funds have been escrowed.

In addition to the above comments, in a letter dated October 7, 1996, Captain Hickey submitted the following comments related to the NPRM:

I have read the NPRM with interest... It is not a new rate methodology, but the same cover-up that your staff practiced while at the Coast Guard and they have brought it with them to the SLSDC.

In order to become operational by December 1, 1996, I suggest you authorize an immediate surcharge. The surcharge will cover the cost of the equipment at \$10,000.00 per unit, the interest needed to borrow the money and the training that will be required at M.I.T.A.G.S. over the winter.